



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 4, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

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Fifth District

AB 811 IMPLEMENTATION – BI-MONTHLY REPORT FOR MAY 2010

On April 14, 2009, your Board directed the Chief Executive Office (CEO), in coordination with the Treasurer and Tax Collector (TTC), Internal Services Department (ISD), and the Energy and Environmental Policy Team, to provide monthly reports on progress in establishing a countywide energy efficiency and renewable energy financing program pursuant to AB 811. In the July, 2009 status report we indicated the reports would be issued bi-monthly.

Your Board also directed that the report should include: an implementation schedule for the utilization of American Recovery and Reinvestment Act (ARRA) Federal Energy Efficiency and Conservation Block Grant (EECBG) or other Federal stimulus related funding; an assessment of financial viability; and an inventory of other appropriate funding sources.

Summary of Activities

Schedule Update

A table indicating key milestones and updated implementation dates is included below. On April 6, 2010, your Board adopted a Resolution of Intention to implement the Los Angeles County Energy Program (LACEP) with an AB 811 financing component. On May 25, 2010, your Board held the public hearing and approved the formation of the LACEP. Four speakers testified in support of the program, including a representative from State Senator Fran Pavley's office. Your Board also adopted a motion directing ISD to meet with representatives of the construction and solar power installation

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Each Supervisor
June 4, 2010
Page 2

industries to discuss LACEP contractor qualifications and outreach, interest rates, and other program specifics. That meeting has been scheduled for June 15, 2010.

LACEP Milestone Timeline			
Date	Milestone	Key Document/Activity	Responsibility
June 2009	Initiate Outreach to Other Cities and Stakeholders	Conduct Stakeholder Input and Information Meetings	CEO, ISD
July 2009	Initiate Financial Analysis	Program Financial Model	TTC
November 2009	Program Designer, Implementer under Contract	ISD Energy Support Services Master Agreement (ESSMA)	ISD
November 2009	Complete First Phase Outreach to Other Cities to Include in Resolution	After Board approval of the program, cities must adopt a Council Resolution agreeing to join the County's program to participate.	CEO, ISD, TTC
February 2010	Continue stakeholder outreach and education	Marketing, Outreach Projects Assessment by ISD County Office of Sustainability (ISD-COS) and Program consultants	ISD, Consultant
April 2010	Board Meeting to adopt Resolution of Intention and set a date for Public Hearing	Resolution of Intention	TTC, County Counsel, Bond Counsel, ISD, CEO, Consultant
May 2010	Board Hearing to Establish District and Confirm Report (Policies and Financing Plan)	Resolution Confirming Report and Approving Program Program Report Form of Assessment Contract Form of Bond Indenture Resolutions Authorizing Establishment of Special Fund, Issuance of Bonds and Authorizing Validation Proceedings	TTC, County Counsel, Bond Counsel, ISD, CEO, Consultant

LACEP Milestone Timeline			
Date	Milestone	Key Document/Activity	Responsibility
June 2010	Initiate Validation Proceeding	File Judicial Complaint	Bond Counsel, County Counsel
September 2010	Conclude Validation Proceedings	Receive Judgment	Bond Counsel, County Counsel
September 2010	Begin Financing Programs	Financing Available for Initial Loans	TTC, CEO, ISD

Stakeholder Outreach

On May 5, 2010, Internal Services Department's County Office of Sustainability (ISD-COS), hosted a meeting for cities, Councils of Government (COGs) and other interested stakeholders to provide an update on the status of the Los Angeles County Energy Program (LACEP). Cities and COGs were also contacted in person and via email, and provided with a template resolution and other materials to encourage them to join the County program by July 1, 2010. As of June 1, 2010, twenty-four cities had calendared the LACEP opt-in resolution for consideration by their Council during the month of June.

Another important outreach effort underway is collaboration with the California Energy Commission (CEC), the California Public Utilities Commission (CPUC) and the local investor-owned utilities (IOUs) to ensure that LACEP is launched and implemented in coordination with the IOUs' Whole House Retrofit Rebate Program mandated by the CPUC. The goal of this collaboration is to present the public with one seamless program to minimize confusion and maximize participation. All agencies are in agreement that residents performing the required energy efficiency retrofits should be able to take advantage of the IOUs' substantial rebates (up to \$3,500) as well as LACEP financing if appropriate, without having to apply to the various programs separately. Weekly meetings between ISD-COS, Southern California Edison (SCE) and Southern California Gas (SCG) have been held to coordinate on such critical elements as marketing, utilizing a joint application, combined contractor training and certification, consistent energy efficiency measure requirements, and data collection and reporting.

Currently, the CEC and CPUC have agreed to endorse a common brand in statewide marketing and advertising and to host a statewide web portal that will deliver participants to web pages with local program information. ISD-COS and the LACEP consultant team are working closely with these State agencies to provide input as the program elements are developed.

On May 17, ISD-COS jointly hosted the Southern California Residential Retrofit Summit with the CEC, SCE, SCG, and Build It Green. The Summit brought together local

leaders in home performance contractor certification, workforce development, and energy efficiency financing. The event was successful in initiating the ongoing dialogue that will be necessary to fully implement the LACEP program throughout the region.

Additional Grants in Support of AB 811

On May 25, 2010, your Board accepted \$30 million in competitive EECBG funds from the United States Department of Energy (DOE) to enhance the participation of property owners in LACEP by implementing a wide variety of pilot programs to determine the most effective approaches to achieving widespread adoption of energy efficiency improvements. The DOE grant application was a State-wide collaboration with the Association of Bay Area Governments (ABAG), the Sacramento Municipal Utilities District, (SMUD) and the San Diego-based California Center for Sustainable Energy (CCSE). Los Angeles County is the lead recipient of the DOE award, receiving approximately \$14.9 million of the total award, and will administer the grant with the DOE and coordinate sub-awardee activities. The sub-awardees will implement innovative pilot programs in their own regions.

On June 15, 2010, your Board will consider authorization of an intergovernmental contract with the CEC in the amount of \$8 million to provide additional resources to support widespread implementation of the LACEP throughout the County. With this funding, the CEC seeks to expand the participation of property owners in LACEP by allowing ISD-COS to promote energy efficiency retrofits, conduct training for contractors, and provide broad marketing and outreach within incorporated cities that participate in LACEP. This funding will supplement the formula-allocated EECBG funds, which were limited for use only within County unincorporated areas.

With these additional funds, LACEP seeks to achieve energy retrofits for 30,000 single-family homes throughout the County by the end of 2013, with the potential to add \$300 million to the local economy. LACEP also intends to create an estimated 3,200 home energy retrofit jobs and as many as 2,000 ancillary jobs in fields such as workforce development, local manufacturing, product distribution, and research and development. These improvements to the local economy are in addition to the environmental objectives associated with LACEP and the goal of reducing the County's annual greenhouse gas emissions (attributable to its existing housing stock) by 20,000 tons of carbon dioxide annually.

Financial and Legal Activities

On May 20, 2010, this office informed your Board of the public letters issued by Fannie Mae and Freddie Mac, which raised questions with regards to the first lien priority that assessment loans generally have over mortgage loans. The structure of

Each Supervisor
June 4, 2010
Page 5

LACEP is based on the premise that an AB 811 loan will have priority status relative to a mortgage and that no adverse action will be taken against the program by either Fannie Mae or Freddie Mac. Therefore, it is critical that these federal agencies provide clarification regarding the impact that an AB 811 loan might have on an existing mortgage. Since the release of their public letters on May 5, 2010, neither Fannie Mae nor Freddie Mac has provided any additional guidance on this issue. TTC is closely monitoring the situation and will keep your Board apprised of any new developments. TTC also continues to reach out to the financial community to promote LACEP and secure funding for the initial launch of the program.

At the close of the Public Hearing held on May 25, 2010, your Board authorized the CEO and TTC, in consultation with County Counsel and with the assistance of bond counsel, to prepare and cause to be filed all proceedings required for judicial validation of the AB 811 contractual assessment and the LACEP financing instruments. TTC and County Counsel have since consulted with bond counsel and a formal validation complaint will be filed in June 2010 with the Los Angeles County Superior Court. It is anticipated that the validation proceedings will take approximately 90-120 days to complete.

If you have any questions, please contact me or have your staff contact Ellen Sandt at (213) 974-1186, or esandt@ceo.lacounty.gov.

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HC:SAW:ef

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